

B8595G  
2. C55-4  
1990

Copy 3



**South Carolina  
Division of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

S. C. STATE LIBRARY

MAY 17 1990

STATE DOCUMENTS

SOUTH CAROLINA  
OFFICE OF THE COMPTROLLER GENERAL  
AGENCY

APRIL 1, 1988 - AUGUST 31, 1989

DATE



STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

March 15, 1990

Mr. Richard W. Kelly  
Director  
Division of General Services  
1201 Main Street, Suite 400  
Columbia, South Carolina 29201

Dear Rick:

Attached is the final procurement audit report of the Office of the Comptroller General and recommendations made by the Office of Audit and Certification. I concur and recommend the Budget and Control Board grant the agency a three (3) year certification as outlined in the audit report.

Sincerely,

James J. Forth, Jr.  
Assistant Division Director

/jlj

Attachment

SOUTH CAROLINA OFFICE OF THE COMPTROLLER GENERAL

AUDIT REPORT

APRIL 1, 1988 - AUGUST 31, 1989

## TABLE OF CONTENTS

	<u>PAGE</u>
Transmittal Letter.....	1
Introduction.....	4
Background.....	5
Scope.....	6
Summary of Audit Findings.....	7
Results of Examination.....	8
Conclusion.....	13
Agency's General Response.....	14
Follow-up Review.....	15

STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR  
March 15, 1990

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

We have examined the procurement policies and procedures of the South Carolina Office of the Comptroller General for the period April 1, 1988 - August 31, 1989. As a part of our examination, we made a study and evaluation of the system of internal control over procurement transactions to the extent we considered necessary.

The purpose of such evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State and internal procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures that were necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the South Carolina Office of the Comptroller General is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and

STATE  
PROCUREMENT

INFORMATION  
TECHNOLOGY  
MANAGEMENT

STATE & FEDERAL  
SURPLUS  
PROPERTY

CENTRAL SUPPLY  
& INTERAGENCY  
MAIL SERVICE

OFFICE OF AUDIT  
& CERTIFICATION

INSTALLMENT  
PURCHASE  
PROGRAM

judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

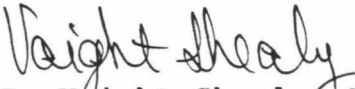
Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions as well as our overall examination of procurement policies and procedures were conducted with due professional care. They would not, however, because of the nature of audit testing, necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe to be subject to correction or improvement.



Corrective action based on the recommendations described in these findings will in all material respects place the Office of the Comptroller General in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

  
R. Voight Shealy, Manager  
Audit and Certification

## INTRODUCTION

The Office of Audit and Certification conducted an examination of the internal procurement operating procedures and policies and related manual of the South Carolina Office of the Comptroller General. Our on-site review was conducted September 20 through October 4, 1989 and was made under authority as described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, that the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in Compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the agency in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State;
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State;
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process.



## BACKGROUND

Section 11-35-1210 of the South Carolina Consolidated Procurement Code states:

The (Budget and Control) Board may assign differential dollar limits below which individual governmental bodies may make direct procurements not under term contracts. The Division of General Services shall review the respective governmental body's internal procurement operation, shall verify in writing that it is consistent with the provisions of this code and the ensuing regulations, and recommend to the Board those dollar limits for the respective governmental body's procurement not under term contract.

On May 10, 1988, the Budget and Control Board granted the following procurement certifications to the South Carolina Office of the Comptroller General.

<u>Category</u>	<u>Limit</u>
1. Goods and Services	\$10,000
2. Information Technology	10,000

Our audit was performed primarily to determine if recertification is warranted. The South Carolina Office of the Comptroller General requested the same certification limits listed above.

## SCOPE

Our examination encompassed a detailed analysis of the internal procurement operating procedures of the South Carolina Office of the Comptroller General and the related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We selected random samples for the period July 1, 1988 through August 31, 1989 of procurement transactions for compliance testing and performed other audit procedures for the entire audit period that we considered necessary in the circumstances to formulate this opinion. Our review of the system included, but was not limited to, the following areas:

- (1) adherence to provisions of the South Carolina Consolidated Procurement Code and accompanying regulations
- (2) procurement staff and training
- (3) adequate audit trails and purchase order registers
- (4) evidences of competition
- (5) small purchase provisions and purchase order confirmations
- (6) emergency and sole source procurements
- (7) source selections
- (8) file documentation of procurements
- (9) disposition of surplus property
- (10) economy and efficiency of the procurement process
- (11) approval of the Minority Business Enterprise Plan

## SUMMARY OF AUDIT FINDINGS

Our audit of the procurement system of the South Carolina Office of the Comptroller General, hereinafter referred to as the Comptroller General's Office, produced findings and recommendations as follows:

	<u>PAGE</u>
I. <u>Procurements Without Competition</u>	8
Two procurements were not supported by evidence of competition or sole source or emergency determinations.	
II. <u>Procurement Not Adequately Justified as a Sole Source</u>	9
One procurement was made as a sole source unnecessarily since the competition requirements of the Procurement Code had been met.	
III. <u>Missing Documentation</u>	10
The Comptroller General's Office was unable to locate the supporting documentation for two sole source procurements for the quarter of April 1, 1988 through June 30, 1988.	
IV. <u>Sealed Bids Not Supported By Certified Bid Tabulation</u>	11
We reviewed two sealed bid procurements that were not supported by certified bid tabulations.	



## RESULTS OF EXAMINATION

For the period reviewed, we performed a 100% test of procurement transactions over \$500.00 each. This amounted to 54 transactions. We found the majority of these transactions to be in compliance with the South Carolina Consolidated Procurement Code. However, we did encounter the following problems:

### I. Procurements Without Competition

Two procurements were not supported by evidence of solicitations of competition or sole source or emergency determinations. These procurements were as follows:

<u>PO#</u>	<u>PO Amount</u>	<u>Description</u>
900045-0	740.60	Pager services
900064-0	595.35	Rental of meter

We recommend that competition be solicited for all future procurements that are not exempt from the Procurement Code, that are not appropriately justified as sole sources or emergencies or that are not made from State term contracts. If appropriate, a sole source or emergency determination should be prepared in the future.

### AGENCY RESPONSE

Purchase Order No.900045-0: This office had one pager which had been on contract with the same vendor for several years. When it was decided that another one was needed, it seemed more cost efficient to have both pagers with the same vendor until the end of the contract period rather than cancel the current contract with a vendor who had provided good service and support for a number of years. In our opinion, our decision to retain the current contract was not only more cost efficient it also retained a good working relationship with a reliable vendor. The addition of the new pager moved the purchase beyond the \$500 limit that requires bids as defined in the Procurement Code. At

the end of the contract term we will engage in the bidding procedures recommended.

Purchase Order No.900064-0: This office has a Pitney Bowes mailing machine which is used to meter outgoing mail. When it was determined that electronic postage scales would make our operation more efficient and economical, we discovered that only Pitney Bowes scales would be compatible and interface with our current equipment. Based upon these facts, the scales were purchased as a sole source procurement. As postage is exempt from the Procurement Code, it was our opinion that the method of applying the same was also exempt. However, we concur with your recommendation that a sole source statement should be prepared, if appropriate, and Procurement Code regulations regarding these types of purchases adhered to in the future.

---

## II. Procurement Not Adequately Justified as a Sole Source

In addition to the test above, we examined the quarterly reports of sole source and emergency procurements and trade-in sales for the period January 1, 1988 through September 20, 1989. This review was performed to determine the appropriateness of the procurement actions taken and the accuracy of the reports submitted to the Division of General Services as required by Section 11-35-2440 of the Consolidated Procurement Code. Only one exception was noted and is as follows.

One procurement of a light table was made as a sole source. (Reference purchase order number 89260 for \$594.00). This was unnecessary because the Comptroller General's Office had searched the market place, evaluated various light tables and obtained sufficient competition to meet the requirements of the Code.

In the future, we recommend that procurements not be declared sole sources if the competition requirements of the Consolidated Procurement Code have been met.



## AGENCY RESPONSE

The procurement of a light table, our Purchase Order No.89260, was made after various tables had been evaluated and the GALLO model proved to be the only table available with all of the features we required. This table also compared favorable in price with others examined that did not meet our specifications. The decision to sole source this item was reached, not as a matter of expediency or vendor favoritism (we had had no prior dealings with them), but because we believed this table and its accessories to be of a unique nature and the vendor used was the only source in Columbia. We concur with your recommendation that the sole source statement was not needed since the competition requirements of the Procurement Code has been met.

---

### III. Missing Documentation

The Comptroller General's Office was unable to locate the supporting documentation for the two sole source procurements for the quarter April 1, 1988 through June 30, 1988. Therefore, we were unable to determine if these transactions were appropriate. The purchase order numbers were as follows:

<u>PO#</u>	<u>PO Amount</u>	<u>Description</u>
88354	\$2,121.00	Postage scale
88403	3,190.00	Laser printer sheet feeder

After a financial audit of fiscal year 1987/88, the documentation for these transactions was sent into storage and could not be located.

We recommend that a separate folder for sole source and emergency procurements and trade-in sales be maintained in the procurement office until these transactions have been audited by us.



## AGENCY RESPONSE

The only audit performed at this agency by Audit and Certification was the one completed when we originally requested certification. Because of this, we were unaware that the next audit would cover more than one fiscal year. It has been our experience that audits of a financial nature were done annually and covered only one fiscal year. Also, it has been our practice to destroy our financial records only after they have been audited by our independent auditor, Wilkes and Company. The documents in question were not attached to the original voucher package, as has been our policy, and due to the passage of time could not be located. We will retain a separate file of sole source, emergency, and trade-in sales documents which will remain on the premises until the completion of the next procurement audit.

---

### IV. Sealed Bids Not Supported by Certified Bid Tabulations

We reviewed two sealed bid procurements that were not supported by certified bid tabulations. The tabulations were prepared but they were not signed. These transactions were as follows:

<u>PO#</u>	<u>PO Amount</u>	<u>Description</u>
89263	\$5,148.00	Modular furniture
900069-0	3,609.90	Photocopying service

We take no exception with the bidding procedure and the resulting contract awards except that bid tabulations were not signed and witnessed.

We recommend that when sealed bids are opened, they always be tabulated and witnessed in writing. This is required by Section 11-35-1520(6) of the Procurement Code. A designated person should certify on the bid tabulation that the information recorded at the bid opening is correct. This should be confirmed by a witness.

AGENCY RESPONSE

Purchase Order Nos. 89263 and 900069-0: In both instances bids were tabulated and there was actually a second person present to witness the tabulation. However, due to an oversight they were not certified. A bid tabulation and award form has been obtained from State Procurement and the applicable regulations will be continued in the future.

---

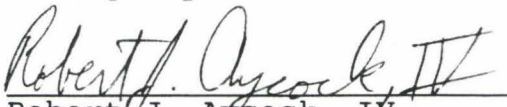
## CONCLUSION

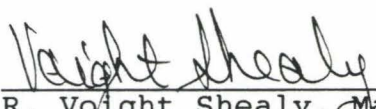
As enumerated in our transmittal letter, corrective action based on the recommendations described in the findings contained in the body of this report, we believe, will in all material respects place the South Carolina Office of the Comptroller General in compliance with the Consolidated Procurement Code and ensuing regulations.

The Office of Audit and Certification will perform a follow-up review in accordance with Section 11-35-1230(1) of the Procurement Code to determine if the proposed corrective action has been taken by the Comptroller General's Office. Based on the follow-up review, and subject to this corrective action, we will recommend that the Comptroller General's Office be recertified to make direct agency procurements for three years as follows:

<u>Procurement Areas</u>	<u>Recommended Certification Limits</u>
I. Goods and Services	\$ 10,000 per purchase commitment
II. Information Technology in accordance with the approved Information Technology Plan	10,000 per purchase commitment

\*The total potential commitment whether single year or multi-term contracts are used.

  
Robert J. Aycock, IV  
Audit Supervisor

  
R. Voight Shealy, Manager  
Audit and Certification





State of South Carolina

## Office of Comptroller General

Wade Hampton Office Building  
Post Office Box 11228  
Columbia, South Carolina 29211

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

February 22, 1990

GERALD W. BURNETT  
DEPUTY COMPTROLLER GENERAL

Mr. R. Voight Shealy  
Manager of Audit and  
Certification  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

I appreciate the thorough review of my office's procurement activity for the period of April 1, 1988 - August 31, 1989, by Jimmy Aycock of your audit staff. He was very courteous, professional and attentive to the task at hand while conducting our audit.

Enclosed is our formal response to the procurement audit report. My staff is ever mindful of adherence to the Procurement Code and corrective action for the minor audit points mentioned will be taken immediately.

Your recommendation that the Comptroller General's Office be recertified to make direct agency procurements up to \$10,000 for Goods and Services, as well as Information Technology, for three years is appreciated.

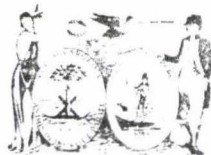
Sincerely,

EARLE E. MORRIS, JR.

Enclosure

EEMJR:bbm

STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
DIVISION OF GENERAL SERVICES



CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL

RICHARD W. KELLY  
DIVISION DIRECTOR

MATERIALS MANAGEMENT OFFICE  
1201 MAIN STREET, SUITE 600  
COLUMBIA, SOUTH CAROLINA 29201  
(803) 737-0600

JAMES J. FORTH, JR.  
ASSISTANT DIVISION DIRECTOR

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT N. McLELLAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

March 15, 1990

Mr. James J. Forth, Jr.  
Assistant Division Director  
Division of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Jim:

We have reviewed the response to our audit report of the South Carolina Office of the Comptroller General covering the period April 1, 1988 - August 31, 1989. Combined with observations made during our site visit and our discussions with agency officials, the review of the response has satisfied us that the Comptroller General's Office has corrected the problem areas found.

We, therefore, recommend that the certification limits for the Comptroller General's Office outlined in the audit report be granted for a period of three (3) years.

Sincerely,

A handwritten signature in cursive script, reading "Voight Shealy".

R. Voight Shealy, Manager  
Audit and Certification

/j1j



